STATE OF LOUISIANA

OFFICE OF FINANCIAL INSTITUTIONS

BATON ROUGE, LOUISIANA

April 6, 2009

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Dear Ms. Rupp:

On behalf of the Louisiana Office of Financial Institutions, I appreciate the opportunity to comment on the NCUA's Advanced Notice of Proposed Rulemaking (ANPR) on Part 704, Corporate Credit Unions. While supporting its recent actions to stabilize the corporate credit union system, the NCUA Board must be careful not to disadvantage small corporate credit unions as it now considers comprehensive changes to the structure of the corporate credit union system. Small corporate credit unions, while belonging to a network, remain individual corporations. As such, assuming their business model has proven to be valid, and they continue to be supported by their member/owners, deserve the opportunity to continue as going concerns.

Since each corporate credit union has its own governance, risk profile, and risk management practices, any restructuring of the Network and/or the corporate credit union system must be carefully enacted in order to allow any well run corporate the opportunity to adapt to changes in the marketplace on its own terms. Member/owners of the corporate credit unions must be given the opportunity to determine which corporate credit unions should continue as going concerns. While recognizing that the ANPR is merely the first step in what will likely be a lengthy rulemaking process, it appears that specific changes are already being considered without benefit of a thorough, comprehensive study of what structural flaws may have caused the current problems. Therefore, I would caution the Board against making any significant changes to the current corporate credit union system without taking the time to complete such a study.

There are three specific areas included in the ANPR that I wanted to address. Specifically, payment system services; expanded investment authority; and corporate capital.

Payment System Services - The ANPR offers a recommendation that payment system services be isolated from other services to separate the risks and strictly limit a corporate's authority to operate a payment system, with no authority to engage in other services. This proposal would simplify and isolate risk. However, consideration must be given as to whether this would have unintended consequences such as an increase in fees to support such a "limited business model." Additional research should be done to determine if this course of action is feasible or advisable.

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Expanded Investment Authority - If regulators are going to continue to allow Part 704 to provide an option by which a corporate that meets certain criteria can qualify for expanded investment authority, it would only be prudent that NCUA modify the procedures and qualifications to include requiring higher capital standards. In addition, the corporate should be able to exhibit a certain level of expertise; perform appropriate due diligence; establish appropriate monitoring systems and contingent planning. Once granted, a criteria and/or standard should be established in order to ensure that the corporate remains qualified for expanded investment authority.

Corporate Capital – The Board needs to consider revising various definitions and standards for determining appropriate capital requirements for corporate credit unions. I feel that it would be prudent to bring the corporate capital requirements more in line with other federally-insured financial institutions. Following the savings and loan crises, FDIC recognized the value of a ratio based on risk-weighted asset classifications in determining the potential risk that may be embedded in an institution's balance sheet. A similar system should be considered for corporate credit unions as well as some type of "Prompt Corrective Action" model. In today's financial environment, a required capital ratio of four percent, regardless of a corporate's risk profile, is no longer reasonable to provide proper protection against unanticipated losses.

Again, I appreciate the opportunity to comment on this ANPR.

Sincerely,

John Ducrest

John Ducrest, CPA
Commissioner of Financial Institutions

c: NASCUS